

Senate Bill No. 1893

CHAPTER 473

An act to amend Sections 987.65 and 987.87 of the Military and Veterans Code, relating to veterans.

[Approved by Governor September 11, 2002. Filed
with Secretary of State September 11, 2002.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1893, Johannessen. Veterans' farm and home purchase program.

Existing law provides for farm and home purchase benefits for qualifying veterans under the Veterans' Farm and Home Purchase Act of 1974, and subsequent acts. For these purposes, existing law requires the purchase price of a home to the Department of Veterans Affairs, or a sum to be expended by the department pursuant to a contract for the construction of a dwelling house and other improvements, or the purchase price of a mobilehome, under specified conditions, not to exceed \$250,000.

This bill would instead require that the maximum amount be changed to the then current Fannie Mae maximum loan limit for a single-family home set annually by Fannie Mae.

Existing law establishes the maximum purchase price of a home and the maximum costs of construction of a home, and establishes requirements relating to the purchaser's payment responsibilities, including, but not limited to, the requirement that the purchaser pay interest at a rate determined by the Department of Veterans Affairs pursuant to a prescribed procedure.

This bill would authorize the department to establish separate rates of interest, as prescribed, payable on the amounts remaining unpaid under veterans' purchase contracts for any contractholder, called to active duty in the military service of the United States, who qualifies for relief under certain provisions of federal law.

The people of the State of California do enact as follows:

SECTION 1. Section 987.65 of the Military and Veterans Code is amended to read:

987.65. (a) The purchase price of a home to the department, or the sum to be expended by the department pursuant to a contract for the construction of a dwelling house and other improvements, or the purchase price of a mobilehome sited on a lot owned by the purchaser

and installed on a foundation system pursuant to Section 18551 of the Health and Safety Code, or the purchase price of a mobilehome converted to a fixture and improvement to the underlying real property in a mobilehome park that has been converted to a resident-owned subdivision, cooperative, condominium, or nonprofit corporation as set forth in Section 18555 of the Health and Safety Code, shall not exceed the then current maximum Fannie Mae loan limit for a single-family home that is annually set by Fannie Mae.

(b) The purchase price of a mobilehome that is to be sited in a mobilehome park, as defined in Section 18214 of the Health and Safety Code, in addition to any assistance provided by the department to a veteran pursuant to subdivision (e) of Section 987.85, shall not exceed seventy thousand dollars (\$70,000).

(c) A veteran purchasing the home may advance, subject to Section 987.64, the difference between the total price or cost of the home and the sum of the purchase price of the home to the department and any amount the department adds, under Section 987.69, to the purchase price of the home in fixing the selling price to the veteran. Any amount of the purchase price to the department may be provided by funds from participation contracts or revenue bonds.

(d) The purchase price of a farm to the department shall not exceed three hundred thousand dollars (\$300,000). A veteran purchasing the farm may advance the difference between the total price of the farm, or the cost of the dwelling and improvements to be constructed on a farm under a contract, and the sum of the purchase price to the department or contract price to the department and any amount that the department adds, under Section 987.69, to the purchase or contract price to the department in fixing the selling price of the farm to the veteran.

SEC. 2. Section 987.87 of the Military and Veterans Code is amended to read:

987.87. (a) The department shall establish the actual interest rate to be paid. To this end, the department, within 60 days of receipt of the survey of the financial condition of the Division of Farm and Home Purchases required at the close of each fiscal year conducted by an independent public accounting firm of recognized standing as provided under various veterans bond acts, shall report to the California Veterans Board and the Veterans' Finance Committee of 1943, regarding the recommended uniform rate of interest payable upon the amount remaining unpaid under any veteran's purchase contract executed on or after September 26, 1974. The department shall make its finding as to the rate of interest to be charged, determined by a floating rate based upon the actual cost of general obligation bond and revenue bond sales, plus a certain percent for administrative costs, taking into consideration



the current value of money, the solvency of the Veterans' Farm and Home Building Fund of 1943, and the interest paid on any participation contracts to which the interest of the department may be subject. Upon approval by the board and the committee, the department may raise or lower the effective rate of interest payable under these contracts annually as it deems to be for the best interests of the department, as well as the contractholders, if in so doing this action is made applicable alike to any and all of these contracts. The interest rate shall not be raised so that the effective date of a higher rate of interest occurs more than once in any calendar year, unless the board and committee, by a two-thirds vote of the members of each, make a finding that an additional increase in the interest rate is necessary to enable the department to maintain the financial solvency of the fund or to meet its obligations to bondholders or purchasers. At least 90 days' advance written notice to the contractholders shall be given before any increase in the interest rate becomes effective.

(b) The total amount of any installment payment shall be raised or lowered to reflect any change in the effective rate of interest. The department may, however, adjust or postpone any installment payment for good cause pursuant to Section 987.71 and, for these purposes, good cause shall include a consideration of whether an increased installment payment would be excessively burdensome in light of a purchaser's financial circumstances. The department shall include notice of this provision in the 90 days' advance notice required under subdivision (a).

(c) Notwithstanding subdivision (a) and Section 987.875, the department may establish separate rates of interest payable on the amounts remaining unpaid under veterans' purchase contracts for any and all contractholders who are called to active duty in the military service of the United States, and who qualify for relief under the provisions of the federal Soldier's and Sailor's Civil Relief Act of 1940, as amended. The rates need not be uniform for all who qualify, but shall not be greater than the rate provided for in that act. Rates shall be established at the discretion of the department, and may apply to any contract from the date of entry into active duty to, and including, 90 days after the date of release from active duty.

